

Message Text

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ACTION EB-07

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EXCON FOR COMMERCE

E.O. 11652: N/A

TAGS: ESTC, IT

SUBJECT: EXPORT CONTROL PROBLEMS WITH SELENIA S.P.A.

1. ING. ETTORE MUZI, CHIEF OF PURCHASING DEPARTMENT OF ITALIAN FIRM SELENIA, S.P.A., VIA TIBURTINA KM. 12.4, 00100 ROME, ITALY, CALLED ON EDO TO DISCUSS SELENIA'S CONTEMPLATED PURCHASES OF DIODES, TRANSISTORS, AND INTEGRATED CIRCUITS FROM FAIRCHILD CAMERA AND INSTRUMENT CO., 464 ELLIS ST., MT. VIEW, CALIFORNIA.

2. SELENIA HAS BEEN IN PROCESS OF FILLING OUT COMMERCE'S FC-243 (MULTIPLE TRANSACTION STATEMENT BY CUSTOMER OF DISTRIBUTOR OF UNITED STATES COMMODITIES STOCKED ABROAD) AND HAS BEEN TOLD BY FAIRCHILD THAT IN ITEMS 5 AND 6 OF THE FORM SELENIA MUST COMMIT ITSELF NOT TO REEXPORT ITS SEMI-CONDUCTORS FROM FAIRCHILD EITHER IN FORM RECEIVED OR AS COMPONENTS OF SELENIA SYSTEMS TO W, Y, AND Z COUNTRIES.

3. PROBLEM IS THAT SELENIA WISHES TO INCORPORATE US ORIGIN SEMICONDUCTORS IN SELENIA SYSTEMS FOR RESALE TO THE USSR, POLAND AND ROMANIA. ING. MUZI POINTED OUT THAT HIS FIRM WAS RECENTLY AWARDED THE CONTRACT FOR THE SALE TO THE USSR OF TEN AIR TRAFFIC CONTROL RADAR SYSTEMS VALUED AT ABOUT \$15.4 MILLION (REPORTED TO DEPARTMENT IN LIMITED OFFICIAL USE

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OUR A-557, DEC. 2, 1976) AND ANTICIPATES ADDITIONAL CON-

TRACTS FROM POLAND AND ROMANIA AS WELL.

4. ACCORDING TO ING. MUZI, SELENIA CANNOT BASE ITS CONTRACTS TO THE EAST ON COMPONENTS FOR WHICH SINGLE OR MULTIPLE US EXPORT LICENSES WILL HAVE TO BE SOUGHT ON A CASE BY CASE BASIS WITH ALL THE ATTENDANT UNCERTAINTIES AS TO WHETHER THE LICENSES WILL BE GRANTED. HENCE FAIRCHILD AND SELENIA ARE AVAILING THEMSELVES OF THE FC-243 WAREHOUSE PROCEDURE IN THIS CASE. IF THE USG WILL NOT GRANT THE NECESSARY LICENSES UNDER THIS PROCEDURE TO PERMIT SELENIA TO INCORPORATE THE COMPONENTS INTO SELENIA SYSTEMS SOLD TO USSR, POLAND AND ROMANIA, ING. MUZI BELIEVES HE CAN EASILY FIND ALTERNATE SUPPLIERS IN JAPAN, FRANCE, OR HOLLAND INSTEAD.

5. ING. MUZI ESTIMATES THAT THE SEMICONDUCTORS WHICH SELENIA WOULD ACQUIRE FROM FAIRCHILD UNDER THE CONTEMPLATED FC-243 WAREHOUSE PROCEDURE WOULD AMOUNT TO ONLY \$500,000 FOR THE FIRST YEAR. HOWEVER, SELENIA NO LONGER WISHES TO UNDERGO EXPENSE OF DIVERSIFYING SOURCES OF SUPPLY FOR PRODUCTS GOING TO DIFFERENT DESTINATIONS. ACCORDINGLY, IF A SOLUTION IS NOT FOUND TO PERMIT SELENIA TO STORE ITS FAIRCHILD COMPONENTS IN ITALY FOR INCORPORATION IN SYSTEMS TO BE EXPORTED TO THE USSR, POLAND AND ROMANIA, SELENIA WILL CONSIDER SWITCHING EXCLUSIVELY TO ALTERNATE SOURCES EVEN FOR COMPONENTS TO BE REEEXPORTED TO USG-APPROVED DESTINATIONS. ING. MUZI COMMENTED THAT SELENIA CURRENTLY PURCHASES OVER \$14 MILLION A YEAR FROM THE US.

6. PLEASE ADVISE WHETHER IT WOULD BE POSSIBLE FOR SELENIA TO BE APPROVED AS A CUSTOMER OF A DISTRIBUTOR OF US COMMODITIES STOCKED ABROAD IN CASE OF DIODES, TRANSISTORS, AND INTEGRATED CIRCUITS FOR COMMERCIAL SELENIA ELECTRONIC SYSTEMS TO BE SOLD IN W, Y AND Z COUNTRIES. IF NOT, CAN COMMERCE SUGGEST ALTERNATE LICENSING PROCEDURE WHICH MIGHT FIT SELENIA'S NEEDS? WOULD APPRECIATE REPLY BY MAY 26. VOLPE

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